

## Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 15845 01 OF 02 071548Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 DODE-00 PA-01 ACDA-12 OES-09 DOE-15 SOE-02  
NRC-05 AGRE-00 H-01 /136 W  
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R 071536Z JUL 78  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 4047  
INFO USMISSION USNATO

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 15845

E.O. 11652: GDS  
TAGS: EALR, ECON, ELAB, US  
SUBJECT: WAGES, PENSIONS AND PRODUCTIVITY IN THE USSR

SUMMARY: DURING OPTIMISTIC PORTRAYAL OF SOVIET ECONOMIC PROSPECTS, BORIS M. SUKHAREVSKIY, DEPUTY CHAIRMAN OF STATE COMMITTEE FOR LABOR AND WAGES OF THE USSR, ACKNOWLEDGED THAT SOVIET LEADERSHIP IS CONSIDERING OPTION OF STIMULATING WORK BY PENSIONEDS OR PERSONS ELIGIBLE FOR PENSIONS IN ORDER TO MEET ANTICIPATED LABOR SHORTAGE. CONCEDED THAT SHORTCOMINGS EXIST IN PRESENT MEASUREMENT OF LABOR PRODUCTIVITY, HE SAID THIS WOULD BE BASED ON NET PROFITS RATHER THAN GROSS INCOME DURING ELEVENTH FIVE YEAR PLAN (1981-85). SUKHAREVSKIY MADE VIGOROUS DEFENSE OF SOVIET SYSTEM, ASSERTED THAT PRESENT WAGE DIFFERENTIALS ARE HIGH ENOUGH TO ENCOURAGE IMMIGRATION TO SIBERIA AND CLAIMED THAT HIGH ORIGINAL INVESTMENT COSTS IN SIBERIA ARE OFFSE BY LOWER OPERATING COSTS.

1. E/C COUNSELOR, ACCOMPANIED BY ECON OFFICER, WAS RECEIVED JULY 6 BY SUKHAREVSKIY AFTER FOUR PREVIOUS CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 15845 01 OF 02 071548Z

APPOINTMENTS HAD BEEN CANCELLED. LATTER WAS ACCOMPANIED BY AFANASY F. BORDADYN, CHIEF OF THE COMMITTEE'S INTERNATIONAL RELATIONS DEPARTMENT, WHO SAID HE HAD JUST RETURNED FROM INTERNATIONAL LABOR ORGANIZATION MEETING IN GENEVA.

2. CHIEF POINTS MADE BY SUKHAREVSKIY DURING 90 MINUTE

CONVERSATION WERE THE FOLLOWING:

A) SOVIET WAGE SYSTEM IS BASED ON (1) PRODUCTIVITY OF LABOR AND (2) QUALITY OF OUTPUT, STANDARDS WHICH CAN BE MUTUALLY CONTRADICTORY BECAUSE TEST OF FORMER IS QUANTITATIVE AND STILL BASED ON GROSS REVENUES;

B) USSR IS GOING OVER TO SYSTEM OF MEASURING PRODUCTIVITY BY NET PROFIT, A SYSTEM ALREADY IN USE BY "HUNDREDS" OF FIRMS WHICH WILL BE PUT GENERALLY INTO EFFECT IN 11TH FIVE-YEAR PLAN. IN THIS ADJUSTMENT TO NET PROFIT, QUALITY OF PRODUCTION WILL BE "TAKEN INTO ACCOUNT;"

C) PRODUCTIVITY OF LABOR MUST BE HIGHER THAN WAGES IN USSR BECAUSE PRICES ARE CONSTANT AND SURPLUS IS NECESSARY TO FEED SOCIAL FUNDS. PRODUCTIVITY DEPENDS ON MANY FACTORS, SUCH AS TECHNOLOGY WHICH IS GIVEN BY THE STATE TO THE ENTERPRISE AND FOR WHICH THE STATE MUST BE COMPENSATED;

D) THE LARGE RUBLE SAVINGS OF THE POPULATION ARE NO CAUSE FOR CONCERN; SAVINGS ARE FOR GOODS SUCH AS AUTOMOBILES AND CONSUMER DURABLES WHICH REQUIRE ACCUMULATION OVER TIME.

E) PREMIUM WAGES ARE PAID IN SPECIAL CASES (E.G., 70  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 15845 01 OF 02 071548Z

BONUS ALONG THE BAIKAL-AMUR RAILROAD AND 100 IN THE NORTHERN FRONTIER REGION, WITH AN ADDITIONAL 80 PCT FOR THOSE WILLING TO REMAIN MORE THAN FIVE YEARS). HE HAD NEVER HEARD (AND APPEARED NOT TO BELIEVE) THAT PERSONS WORKING OVER THREE YEARS ON THE BAM WERE ENTITLED TO PURCHASE AN AUTOMOBILE. THE RANGE OF 1.5 TO 2.0 (MOSCOW EQUALS 1) IS QUITE SUFFICIENT TO ATTRACT SUFFICIENT LABOR TO THESE REGIONS.

F) YOUTH ENJOY THE CHALLENGE OF WORKING IN WILD PLACES LIKE SIBERIA ("ROMANTICISM," SAID BORDADYN), AND THE OBJECTIVE IS THAT THEY SHOULD WISH TO STAY IN THE NEW REGIONS OF SIBERIA, ETC., AND DEVELOP THEM. A MANPOWER PROBLEM DOES NOT EXIST IN WESTERN SIBERIA, ALTHOUGH IT STILL DOES IN EAST SIBERIA AND IS EVEN WORSE IN THE FAR EAST.

G) ALTHOUGH INVESTMENT COSTS ARE HIGH IN SIBERIA, THIS IS ONLY TRUE FOR START-UP. RECOVERY OF TIMBER, GAS, OIL, COAL, ETC., IS CONSIDERABLY CHEAPER ONCE EXPLOITATION IS UNDER WAY.

H) ABOUT 4.5 MILLION PENSIONERS ARE PRESENTLY WORKING IN THE USSR. SOME CAN WORK UP TO TWO MONTHS WITHOUT FORFEITING THEIR PENSION. AFTER THAT WORKERS CAN CONTINUE TO RECEIVE THEIR FULL PENSION, WHEREAS ENGINEERS GET FIFTY TO SEVENTY PERCENT, DEPENDING ON THE AREA; FOR EXAMPLE THEY GET 75 PERCENT (SIC) IN THE FAR EAST. PERHAPS AN ADDITIONAL 500,000 TO ONE MILLION PENSIONERS COULD BE INDUCED TO RETURN TO THE WORK FORCE. (HE IMPLIES MORE WOULD NOT BE NEEDED.) THE SOVIET SYSTEM HAS "BIG

CONFIDENTIAL

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PAGE 01 MOSCOW 15845 02 OF 02 071559Z  
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C O N F I D E N T I A L SECTION 02 OF 02 MOSCOW 15845

RESERVES," BUT "OF COURSE, WE WILL HAVE TO TAKE MEASURES MEASURES." ONE SUCH OPTION UNDER CONSIDERATION IS PERMITTING A WORKER WHO POSTPONES RETIREMENT PAST THE AGE OF 60 YEARS TO OBTAIN AN ADDITIONAL TEN TO FIFTEEN PERCENT INCREASE IN HIS DEFERRED PENSION. HOWEVER, "NON-PENSIONERS SHOULD SAVE THE USSR;"

H) "MANY" INDUSTRIES ARE ALREADY INCREASING THEIR CURRENT OUTPUT ONLY THROUGH INCREASE IN PRODUCTIVITY. AMONG THEM ARE TIMBER, CONSTRUCTION AND FERROUS METALLURGY.

3. AT THE OUTSET OF THE CONVERSATION SUKHAREVSKIY CITED A U.S. REPORT WHICH, ACCORDING TO HIM, REVEALED U.S. PRODUCTIVITY OF LABOR HAD RISEN ANNUALLY BY ONLY 1.5 PERCENT SINCE 1945. HE ASSERTED THAT THE SOVIET GROWTH RATE WAS ABOUT 5-6 PERCENT. WHEN REMINDED THAT PRODUCTIVITY OF LABOR IN THE USSR, ACCORDING TO EKONOMICHESKAYA GAZETA, HAD GROWN ONLY 3.7 IN THE USSR IN 1976 AND 1977, SUKHAREVSKIY SAID THAT AVERAGE GROWTH

IN THE NINTH FIVE-YEAR PLAN HAD BEEN 5.6, BUT THE  
FIRST TWO YEARS OF THE PRESENT PLAN HAD FORESEEN A LOWER  
RATE OF GROWTH SO AS BETTER TO SPRING FORWARD LATER.  
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PAGE 02 MOSCOW 15845 02 OF 02 071559Z

4. SUKHAREVSKIY UPON SEVERAL OCCASIONS TOOK OPPORTUNITY  
TO COMPARE SOVIET ECONOMIC PROSPECTS FAVORABLY WITH THOS  
OF THE U.S. HE WAS INDIGNANT UPON WESTERN JOURNALISTS  
WHO SOUGHT TO DWELL ON SOVIET ECONOMIC PROBLEMS, AND HE  
HEAPED RIDICULE ON THE FORECAST - WITH WHICH HE WAS  
FAMILIAR, HE SAID, FROM READING THE WESTERN PRESS -  
THAT THE SOVIET ECONOMY MIGHT GROW ONLY AT AN ANNUAL  
RATE OF TWO PERCENT IN THE 1980'S. HAVING BEGUN THE  
CONVERSATION WITH THE REMARK THAT IT WOULD BE IMPOSSIBLE  
TO ENLIGHTEN THOSE WHO DID NOT WISH TO BELIEVE,  
SUKHAREVSKIY ENDED BY VOLUNTEERING THAT HE KNEW THE  
SOVIET ECONOMY HAD A NUMBER OF PROBLEMS UPON WHICH HE  
HAD NOT TOUCHED. HOWEVER, IT HAD TO BE BORNE IN MIND,  
HE SAID, THAT THE USSR IS THE PATHBREAKER FOR A NEW  
SYSTEM AND THUS MUST OVERCOME PROBLEMS NOT HERETOFORE  
ENCOUNTERED. SINCE THE CONVERSATION WAS TERMINATED  
PREMATURELY, DUE TO THE NEED OF THE EMBASSY OFFICERS TO

MEET A DELEGATION AT THE AIRPORT, IT WAS AGREED TO RESUME  
THE DIALOGUE IN SEPTEMBER.

5. COMMENT: SUKHAREVSKIY IS AN AMIABLE INDIVIDUAL OF  
ABOUT SEVENTY YEARS OF AGE, WHO DOES NOT SEEM TO BE  
ANTICIPATING EARLY RETIREMENT. HE IS THE AUTHOR OF MORE  
THAN SEVENTY BOOKS AND ARTICLES ON "SOCIALIST" ECONOMIC  
POLICY AND SIMULTANEOUS WITH HIS WORK ON THE STATE COM-  
MITTEE HAS ALSO BEEN ENGAGED IN TEACHING POST-GRADUATES  
AT THE ECONOMIC FACULTY OF MOSCOW UNIVERSITY. HE PRE-  
SENTED E/C COUNSELOR WITH A SPANISH LANGUAGE COPY OF ONE  
OF HIS BOOKS, "THE ECONOMY OF THE USSR IN THE PERIOD OF  
SOCIALIST DEVELOPMENT," WHICH HE SAID HAD BEEN PUBLISHED  
IN TWELVE LANGUAGES. SINCE SUKHAREVSKIY SEEMED TO HAVE  
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PAGE 03 MOSCOW 15845 02 OF 02 071559Z

BEEN READING EXTREMELY NEGATIVE REPORTS ON THE U.S.  
ECONOMY, COUNSELOR PRESENTED HIM WITH 1978 ECONOMIC  
REPORT OF THE PRESIDENT TO CONGRESS.

6. WE FIND LITTLE SUPPORT FOR SUKHAREVSKIY'S ASSERTION  
THAT ABUNDANCE OF SOURCE PERMITS LOWER OPERATING COSTS IN

SIBERIAN CONDITIONS. HE APPEARED TO FEEL THAT THE  
NATURAL ATTRACTIONS OF SIBERIA ARE SUCH THAT FEW IF ANY  
ADDITIONAL INCENTIVES OTHER THAN THOSE NOW IN USE WILL  
BE NEEDED TO DEVELOP THE INDUSTRIAL BASE OF THE AREA  
TO THE POINT WHERE THE POPULATION WILL WISH TO LIVE ON  
PERMANENTLY IN THE EAST. TOON

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## Message Attributes

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